Rs. 375·41 lakhs for receipts and Rs. 294·57 lakhs for expenditure. The actual collections during the year mounted up to Rs. 398·09 lakhs, while the expenditure stood at Rs. 294·89 lakhs. The year thus closed with a revenue surplus of Rs. 103·20 lakhs, as against Rs. 5·09 lakhs anticipated in the Budget Estimates and Rs. 80·84 lakhs in the revised estimates. The improvement in revenue was mostly under Taxes on Income, Stamps, Customs, Salt, Registration and the State Transport. The more important of the various factors that contributed to the increase in expenditure were Food Control measures, A. R. P. and other measures of internal security, Contributions in aid of the War and the grant of dearness allowance to the officers in the lower ranks of the Government service. The surplus of Rs. 103·20 lakhs stands credited to the Post-war Reconstruction Fund.

3. In the capital section, the total expenditure during the year 1118 was Rs. 32·19 lakhs as against Rs. 30·29 lakhs provided for in the Budget Estimates. The organisation of the Coastal Transport Scheme accounts for the slight increase in capital expenditure.

REVISED ESTIMATES—1119.

4. I shall now pass on to the year which is just on the eve of its close. When framing the Budget Estimates for the current year, we anticipated a revenue realisation of Rs. 385·54 lakhs and provided for a programme of expenditure charged to revenue of Rs. 327·79 lakhs. But on the basis of the figures booked so far and in the light of the actual experience of the previous months of the year, the revenue is expected to mount up to Rs. 489·41 lakhs, and the expenditure to Rs. 364·08 lakhs. In the result, the year, it is hoped, will close with a revenue surplus of Rs. 125·33 lakhs as against the budget forecast of Rs. 57·75 lakhs. The variations between the budget and the revised estimates, both on the revenue and the expenditure sides, are explained in the Budget Memorandum, copies of which are placed on the table along with copies of the Budget Estimates for 1120. I shall not therefore tax the patience of the House by reiterating every little item of such variations and shall just make a passing reference to the more salient features of the variations. The anticipated increase in revenue is most marked under Customs, Excise, Stamps and Registration, Forests, Taxes on Income and Railways. Though the receipts from the Cochin Harbour are likely to fall short of the original anticipations, the betterment of our Customs revenue under Land Customs, supplemented by an increase of Rs. 5 lakhs under Excise Duty on Matches including the contribution from the Government of India, will more than compensate for the apprehended deterioration in the Cochin Harbour receipts. The lion's share of the expected increase of Rs. 12·7 lakhs under Excise is under Abkari which takes up Rs. 7·5 lakhs, Opium and Ganja, following up with an increase of Rs. 3·6 lakhs. The larger consumption of country liquor by the labouring classes who now earn substantially higher wages than in the pre-war days and the very effective checking of illicit tapping and distillation have contributed

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to the improvement of the receipts under duty on arrack and tree-tax. The increasing number of documents registered, particularly in connection with the redemption of mortgaged properties, is clearly reflected in the prospect of a better revenue under Registration and Stamps. The betterment of Forest revenue is due to the larger exports of our forest produce, especially timber, in execution of war orders and the higher prices which they fetch. Under Taxes on income, the receipts are expected to mount up by about Rs 34 lakhs as a result of the large profits derived from business, particularly war-contracts and the assessment of Agricultural Incomes, the collections under which head are expected to stand at Rs. 15 lakhs. The increase in traffic, both passenger and goods, the utilisation of the Railway for the transport of war-supplies and the rebate of Rs. one lakh which the Government of India have allowed us in respect of Bengal coal used for our Railways, have tended to the appreciation of our Railway receipts.

5. On the expenditure side, the anticipated increase of Rs. 36·29 lakhs is, to some extent evenly distributed among the various departments of the administrative machinery and is due to the increase in establishment charges on account of the recent revision of salaries of Government servants. Questions relating to the fixation of the salaries of Government servants under the present conditions and the need to effect a general revision were carefully examined by the Government from two distinct points of view *viz.*, the temporary disequilibrium produced as the immediate effect of the war and the general rise in the standards of life and the consequent necessity to level up salaries as a permanent measure. They arrived at the definite conclusion that the present state of affairs has specially affected persons with small fixed incomes like Government servants in the lower grades and they accordingly sanctioned, with effect from 1-6-1119, a general scheme for the revision of the salaries of the officers of the service fixing the minimum salary of peons and other menial servants at Rs. 14 per mensem in the expensive towns and that of the clerical staff at Rs. 25 per mensem. Side by side with this general revision, which is of a permanent nature, the rates of war allowance have also been increased as a temporary measure for the duration of the war. The scope of the allowance has also been extended, the present rates ranging from Rs. 7 to Rs. 12 in the case of the pensionable servants and the full-time contingent employees and being applicable to all officers, whose pay does not exceed Rs. 137 per mensem including the allowance. With a view to keep within bounds the increase in establishment charges that must necessarily follow these measures, calculated to ameliorate, to the extent possible, the hard lot of Government servants having to depend upon fixed incomes, but to meet the increased cost of living, Government are also giving their careful attention to the possibilities of retrenchment of personnel without however sacrificing efficiency of service for economy. In view to the consideration and the sympathy which the low paid pensioners of Government, who have spent the best part of their lives in the service of Government, deserve from their

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former employers, a temporary increase of Rs. 2 per mensem has also been sanctioned by the Government to all pensioners whose pensions including the temporary increase do not exceed Rs. 22 per mensem. This accounts for the increase of expenditure anticipated under superannuation allowances. I may inform the House in this connection that the rates of war allowance in the case of our Government servants and the temporary increase in our pensions are lower than the corresponding rates in the Cochin State and the Madras Presidency. In the Cochin State the rates of war allowance vary from Rs. 10 to Rs. 14 and the allowance is payable to officers whose emoluments including the allowance do not exceed Rs. 214 per mensem. In the Madras Presidency, the rates vary from Rs. 10 to Rs. 13 and the allowance is payable up to the limit of emoluments of Rs. 213 including the allowance. The Government of India are proposing to extend the scope of the war allowance to all officers whose pay is within the limit of Rs. 1,500. The temporary increase in pension in the Cochin State ranges from Rs. 5 to Rs. 7 and is payable in respect of all pensions which, with the allowance, do not exceed Rs. 107, while in the Madras Presidency the rates vary from Rs. 3 to 4, the allowance being payable in respect of pensions up to the limit of Rs. 44 in the aggregate including allowances.

Apart from this general increase in establishment and pension charges common to all the departments of the service, the increase of expenditure in the revised estimates is marked under Education, Stationery and Printing, Public Works, and Contribution towards war efforts. The payment of war allowance to teachers in aided schools also accounts for the increase of expenditure under Education. Stationery and Printing charges must inevitably exceed the budget anticipations on account of the abnormal rise in the price of stationery articles and printing materials. The provision of additional funds for meeting the increased cost of maintenance of roads etc., due to the increased cost of labour and materials accounts for the increase of expenditure under Public Works. Our food control operations, to which I shall revert later on when dealing with the budget estimates for the next year, have also pushed up the expenditure.

Though no specific provision was made in the budget for the year for payment of contributions to the War Fund, a sum of Rs. 4·5 lakhs has actually been spent on this account. Our total contributions to date in aid of the war stand at Rs. 24·5 lakhs, besides placing at the disposal of the Allies our Infantry Units. This contribution includes the Trawler *H. M. I. S. Travancore* costing Rs. 6·5 lakhs and also the Fighter Planes contributed to the Royal Air Force.

As the net result of the several variations in revenue and expenditure between the budget and the revised estimates, the current year is, as already stated, expected to close with a revenue surplus of Rs. 125·33 lakhs as against Rs. 57·75 lakhs anticipated in the Budget Estimates.

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Fully aware as the Government are, that this substantial increase in the revenue surplus is, to a large extent, due to the operation of circumstances connected directly or indirectly with the war conditions, they have decided to transfer the entire surplus to the Revenue Reserve and Post-war Reconstruction Funds to be drawn upon only for financing schemes of public utility and reconstruction measures.

6. Our capital programme for the year 1119 which was estimated to work up to Rs. 60·65 lakhs is expected actually to stand at Rs. 56·74 lakhs only, on account of the difficulty in getting materials from abroad.

BUDGET ESTIMATES FOR 1120.

7. I shall now deal with the ensuing year. The total revenue estimates from the existing sources amount to Rs 507·19 lakhs, as compared with the revised estimates of Rs 489·41 lakhs for the current year. Though, on the basis of the relation between the budget estimates and the revised estimates for the current year and keeping in view the upward trend of prices and the increasing demand for our goods, we might have reasonably estimated a revenue of about Rs 6 crores for the coming year, we have in a spirit of conservatism pitched our estimates deliberately low. The increase in revenue as compared with the revised estimates for the current year, is to a certain extent, uniformly spread over all the important revenue-yielding items, but is most conspicuous under Excise and Taxes on Income, the former, due to the increasing consumption of country liquor, as a result of the enhanced spending power of the labouring classes and the latter, on account of the growing economic prosperity of the 'business' classes, As a check against the increasing consumption of country liquor,-arrack, etc., Government have increased the duty on these and enhanced their supply prices. With the prospect of our revenues from the ordinary sources reaching beyond Rs 5 crores, it is hardly necessary to resort to any new taxation for augmenting our resources and it is not proposed to levy any new tax or to enhance the rates of any of the existing taxes, except to impose a tax on excess profits. This, the House will, it is hoped, appreciate, is not meant so much as a source of revenue as a necessary step in furtherance of our anti-inflationary measures and necessitated by the importance of achieving uniformity of policy with the Central Government and the leading Indian States.

8. The Excess Profits Tax is in the nature of a temporary tax related to abnormal conditions created by the war. The imposition of Excess Profits Tax by the State in cases of emergency has enough justification both from the administrative and economic points of view. The levy of this tax is in the first place a method of equalising the burden of taxation on the nation during exceptional times, such as the war and secondly prevents the concentration of wealth in the hands of a few, especially when many in the country have to sacrifice even their

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